



ANNEXURE "B"

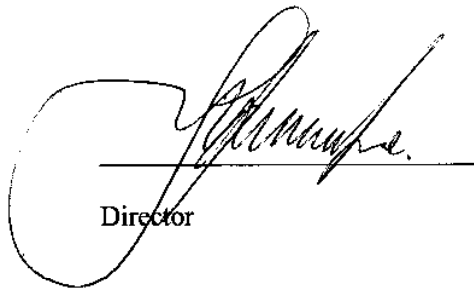
MAPAI TRANSPORT LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2011

I, *Jacob LUKA* have compared this copy document of 24 pages with the original document and certify that this is a true copy of the original document.

This is the annexure of 24 pages marked "B" referred to in the form 22 signed by me and dated 19 October 2012.



Director

Date: 19.12.13

MAPAI TRANSPORT LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

MAPAI TRANSPORT LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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MAPAI TRANSPORT LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors of Mapai Transport Limited submit herewith the balance sheet, income statement, cash flow statement and statement of changes in equity for the financial year ended 31 December 2011. In order to comply with the Papua New Guinea Companies Act, the Directors report as follows:

Principal Activities

The principal and continuing activities of the company is the provision of logistics, freight and cartage services to and from the highlands of Papua New Guinea from its head office in Lae, Morobe Province and its depot at Mt Hagen.

Financial Statements

The financial statements attached to this report form part of and should be read in conjunction with this report. The directors consider there are no unusual or other matters other than as noted in these financial statements that warrant their comments and the company's financial position and results from operations are properly reflected in these financial statements.

Results

During the year the company made an operating profit before tax of K 7,370,272 (2010: Profit of K3, 456,035).

The profit of K 7,370,272 earned during the year was earned despite the closure of the Highlands Highway on a number of occasions during the year which halted all truck movement to the Highlands.

Dividends

The total amount of Dividend paid for the year is stated in note 12 to the financial statement.

Director

The directors at the date of this report are:

Mr Pius Tikili	Mr. Jacob Luke	Mr Tit Karato
Sir Nagora Bogan	Mr Alfred Manase	

Donations

The total amount of donations paid in relation to public relations by the company is stated in note 4 to the financial statements.

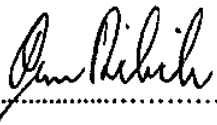
MAPAI TRANSPORT LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

General

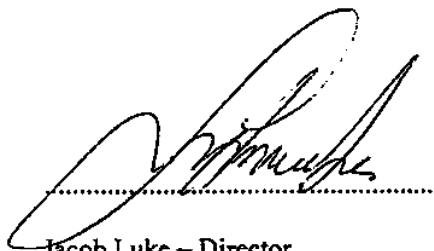
In accordance with a resolution of the Directors of Mapai Transport Limited, in the opinion of the directors, the financial statements of the company are drawn up so as to give a true and fair view of:

- (a) the results, changes in equity and cash flows of the company for the year ended 31 December 2011; and
- (b) the state of affairs of the company at 31 December 2011.

For and on behalf of the board



Pius Tikili - Director



Jacob Luke - Director

Dated at Lae this 7th day of October 2012.



Independent auditor's report to the shareholders of Mapai Transport Limited

Report on the financial statements

We have audited the accompanying financial statements of Mapai Transport Limited (the company), which comprise the statement of financial position as at 31 December 2011, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to prove a basis for our audit opinion.

Qualification

The directors have not recognized deferred tax calculations as the correct tax positions of the company have not been able to be established. This is contrary to the requirements of IAS12 "Income Tax". A estimate of tax liability has been recognized in these financial statements of K2,599,100.



Auditor's opinion

In our opinion, except for the non compliance with IFRS referred to in the qualification paragraph above, the financial statements of Mapai Transport Limited is in accordance with the Companies Act 1997, including giving a true and fair view of the company's financial position as at 31 December 2011, and of its performance for the year ended on that date; and comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea.

Report on other legal and regulatory requirements

The Papua New Guinea Companies Act 1997 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

1. in our opinion proper accounting records have been kept by the company, so far as appears from our examination of those records;
2. we have obtained all the information and explanations we have required; and
3. in conducting our audit we followed applicable independence requirements of Certified Practising Accountants Papua New Guinea.

Other Matters

This report, including the opinion, has been prepared for and only for the company's shareholders as a body in accordance with the PNG Companies Act 1997 and for no other purpose. We do not, in giving this opinion. Accept or assume responsibility for any other purposes or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

A handwritten signature in black ink, appearing to read 'S C Beach', written over a horizontal line.

PricewaterhouseCoopers

By: S C Beach

Partner

Registered under the Accountants Act 1996

Lae

26 October
....., 2012

MAPAI TRANSPORT LIMITED
 INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 <u>K</u>	2010 <u>K</u>
Revenue	2	45,764,545	40,421,724
Cost of Fleet Operations		<u>(16,813,128)</u>	<u>(17,157,476)</u>
Gross Profit		28,951,417	23,264,248
Other Income	2	<u>11,209,154</u>	<u>4,008,430</u>
Net Operating Income		40,160,571	27,272,678
Cost of Depot Operations		(18,015,365)	(12,726,583)
Administration expenses	3	(12,721,673)	(9,392,052)
Net financing costs	4	<u>(2,053,261)</u>	<u>(1,698,013)</u>
Profit/(loss) before income tax		7,370,272	3,456,030
Income tax expense	5	(2,599,100)	-
Net profit/(loss) from ordinary activities		<u><u>4,771,172</u></u>	<u><u>3,456,030</u></u>

This statement is to be read in conjunction with the notes to and forming part of the financial statements.

MAPAI TRANSPORT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital K	Retained Earnings K	Revaluation Reserve K	Total K
2010				
Balance at 31 December 2009	603,388	9,625,027	1,700,000	11,928,415
Net profit for the year	-	3,456,035	-	3,456,035
Balance at 31 December 2010	603,388	13,081,062	1,700,000	15,384,450
2011				
Net profit for the year	-	4,771,172	-	4,771,172
Dividend paid	-	(60,339)	-	(60,339)
Balance at 31 December 2011	603,388	17,791,895	1,700,000	20,095,283

This statement is to be read in conjunction with the notes to and forming part of the financial statements.

MAPAI TRANSPORT LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	2011 <u>K</u>	2010 <u>K</u>
ASSETS			
Current assets			
Cash and cash equivalents	18	1,435,595	3,089,760
Trade and other debtors	9	15,659,304	9,124,438
Inventory	8	464,312	250,133
Shareholders' loan	17	5,596	190,122
		<u>17,564,807</u>	<u>12,654,453</u>
Non-current assets			
Property, plant and equipment	7	35,703,137	26,306,094
		<u>35,703,137</u>	<u>26,306,094</u>
TOTAL ASSETS		<u>53,267,944</u>	<u>38,960,547</u>
LIABILITIES			
Current liabilities			
Bank overdraft	18	1,552,367	-
Trade and other creditors	10	6,007,828	5,618,130
Provision for employee benefits	15	146,915	108,660
Provision for income tax	6	2,599,100	-
Amount owed to related corporation	16 (a)	523,462	347,730
Lease and loan payables	13	6,211,088	4,667,148
		<u>17,040,760</u>	<u>10,741,668</u>
Non-current liabilities			
Provision for employee benefits	15	556,753	92,697
Lease and loan payables	13	15,575,148	12,741,732
		<u>16,131,901</u>	<u>12,834,429</u>
TOTAL LIABILITIES		<u>33,172,661</u>	<u>23,576,097</u>
NET ASSETS		<u>20,095,283</u>	<u>15,384,450</u>
SHAREHOLDERS' EQUITY			
Issued capital	11	603,388	603,388
Revaluation reserve	12	1,700,000	1,700,000
Retained earnings	12	17,791,895	13,081,062
TOTAL SHAREHOLDERS EQUITY		<u>20,095,283</u>	<u>15,384,450</u>

This statement is to be read in conjunction with the notes to and forming part of the financial statements.

MAPAI TRANSPORT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	K	K
Cash flows from operating activities		
Receipts from customers	52,008,598	42,421,628
Payments to suppliers and employees	<u>(41,400,274)</u>	<u>(31,739,778)</u>
Cash generated from operations	10,608,324	10,681,850
Interest paid	(2,053,261)	(1,698,013)
Tax paid	<u>-</u>	<u>-</u>
Net cash flow from operating activities	<u>8,555,063</u>	<u>8,983,837</u>
Cash flows from investing activities		
Payments for property, plant and equipment	<u>(3,525,137)</u>	<u>(789,215)</u>
Net cash flow used in investing activities	<u>(3,525,137)</u>	<u>(789,215)</u>
Cash flows from financing activities		
Borrowings	2,720,374	1,118,764
Repayment of borrowings	(307,518)	(250,531)
Finance lease liabilities	(10,588,975)	(6,485,013)
Dividends paid	<u>(60,339)</u>	<u>-</u>
Net cash flow used in financing activities	<u>(8,236,458)</u>	<u>(5,616,482)</u>
Net increase/(decrease) for year	(3,206,532)	2,578,140
Cash at the beginning of the year	<u>3,089,760</u>	<u>511,620</u>
Cash at the end of the year	<u>(116,772)</u>	<u>3,089,760</u>
Cash and cash equivalents consist of:		
Bank overdraft	(1,552,367)	-
Cash on deposit and at bank	<u>1,435,595</u>	<u>3,089,760</u>
	<u>(116,772)</u>	<u>3,089,760</u>
Reconciliation of profit after tax to net cash flow from operating activities:		
Profit after income tax	4,771,172	3,456,035
Adjustments for:		
Depreciation	6,926,297	6,171,159
Interest income	<u>(60,501)</u>	<u>(55,753)</u>
	11,636,968	9,571,441
Changes in working capital:		
(Increase)/Decrease in inventories	(214,179)	(56,749)
(Increase)/Decrease in trade and other debtors	(6,534,866)	(1,304,899)
Increase/ (Decrease) in trade and other creditors	565,724	1,032,537
Increase/ (Decrease) in income tax payable	2,599,105	(175,977)
Increase/ (Decrease) in provisions	<u>502,311</u>	<u>(82,518)</u>
	<u>8,555,063</u>	<u>8,983,837</u>

MAPAI TRANSPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. Summary of Significant Accounting Policies

The company is incorporated in Papua New Guinea and all amounts are expressed in Papua New Guinea Kina rounded to the nearest Kina.

Statement of compliance

These financial statements are presented in accordance with the Papua New Guinea Companies Act 1997 and except for the non-recognition of deferred taxes, comply with International Financial Reporting Standards and other generally accepted accounting practices in Papua New Guinea.

Basis of preparation

The financial statements have been prepared on the historical cost basis and do not take into account changing money values, or except where stated, current valuation of non-current assets.

Particular accounting policies

The accounting policies have been consistently, applied by the company and they are consistent with those of the previous year.

(a) Foreign currency

The reporting currency adopted in the preparation of the financial statements is the Papua New Guinea currency, the Kina.

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognised in the income statement for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.

(b) Inventories

Inventories and consumable materials are valued at the lower of purchase cost and net realisable value by the average cost method. Average costing is based on invoice prices and includes expenditure incurred in acquiring the goods and bringing them to their existing condition and location.

(c) Investments

Investments are stated at the lower of cost or net realisable value.

MAPAI TRANSPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. Summary of Significant Accounting Policies (continued)

(d) Property, plant and equipment

Items of plant and equipment are stated at original cost less accumulated depreciation and impairment losses. Construction cost for self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of construction overheads.

Depreciation is provided on cost of fixed assets so as to write off the assets progressively over their estimated useful lives. Fixed assets are first depreciated in the year of acquisition, or in the case of construction, in the year of substantial completion of the asset.

The diminishing value method of depreciation is used and the rates of depreciation used are:

Trailers & and tankers and support vehicles	30%
Workshop equipment	30%
Heavy Truck Vehicles	17%
Plant & equipment (including office equipment)	15%
Buildings	5%

(e) Impairment

The carrying amounts of all assets are reviewed at each balance date to determine whether there is any indication of impairment.

(f) Leased Assets

Leases under which the company assumes substantially the entire risk and rewards incidental to ownership have been classified as finance leases and are capitalised. The assets and corresponding liability are recorded at inception of the lease at fair value of the leased assets, at amounts equivalent to the discounted present value of the minimum lease payments including residual value.

(g) Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recorded at the net proceeds received. Any discount, premium or other difference between the net proceeds and the redemption value is amortised and included in finance costs over the term of the loan.

If debt is repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the income statement.

MAPAI TRANSPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. Summary of Significant Accounting Policies (continued)

(h) Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation.

(i) Employee entitlements

The amounts expected to be paid to employees for their pro-rata entitlement to long service, annual and sick leave, and leave fares are accrued annually having regard to period of service and statutory obligations

(j) Taxation

The accounting principles of deferred taxation are not adopted in preparing these accounts and financial statements. Accordingly the tax value of any losses expected to be available for utilisation against future taxable income and other temporary differences are not recognised in the financial statements.

The current income tax charge is calculated based on tax laws at the balance date. Management periodically evaluates positions taken in tax returns and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

(k) Revenue

For the sale of services revenue is recognised when the service has been provided.

(l) Going Concern

The financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in a normal course of business for the foreseeable future.

(m) Comparative figures

Where necessary comparative figures have been adjusted to confirm with current disclosure and reclassification of balances.

MAPAI TRANSPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. Summary of Significant Accounting Policies (continued)

RELEASE OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

(i) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but did not have a significant impact on the company:

- IAS 24 (revised): Related party disclosures
- Annual improvements to IFRS (2010)
- Amendment to IAS 32: Financial Instruments: Presentation – classification of right issues
- Amendment to IFRS 1: First time adoption – financial instrument disclosures
- IFRIC 14: IAS 19 (revised) - The limit on a defined benefit assets, minimum funding requirements and their interaction
- IFRIC 19: Extinguishing financial liabilities with equity instruments

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The International Accounting Standards Board has issued the following standards, amendments and interpretations that are applicable to the company for accounting periods beginning after 1 January 2011 and which the company has not adopted early:

- Amendments to IFRS 7: Financial instruments: Disclosures - derecognition
- Amendments to IFRS 1: First time adoption – fixed dates and hyperinflation
- Amendment to IAS 12: Deferred tax – recovery of underlying asset
- Amendment to IAS 19: Employee benefits
- Amendment to IAS 1: Financial statements presentation – other comprehensive income
- IFRS 9: Financial Instruments - classification and measurement
- IFRS 11: Joint arrangements
- IFRS 12: Disclosures of interests in other entities
- IFRS 13: Fair value measurement
- IFRS for small and medium-sized entities

The company has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the company.

MAPAI TRANSPORT LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

2. Revenue

	2011	2010
	<u>K</u>	<u>K</u>
<u>Operating Income</u>		
Freight income	45,764,545	40,421,729
	<u>45,764,545</u>	<u>40,421,729</u>
<u>Other Income</u>		
Management fees	156,000	208,492
Interest	60,501	55,753
Workshop income	2,718	15,276
Equipment hire	5,122,919	1,114,482
Other income	5,867,017	2,614,428
	<u>11,209,154</u>	<u>4,008,430</u>
Total Income	<u><u>56,973,699</u></u>	<u><u>44,430,159</u></u>

3. Administration Expenses

	2011	2010
	<u>K</u>	<u>K</u>
Overhead expenses	2,568,213	1,430,548
Depreciation expenses	6,926,297	6,171,159
Employee cost	3,227,162	1,790,345
	<u>12,721,673</u>	<u>9,392,052</u>

4. Operating Profit before Income Tax Expense

Operating profit for the year is stated after crediting or charging the following items:

Crediting

Interest received from FIFL	60,501	55,753
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Charging

Accountants remuneration:

- Audit Fees	53,000	22,000
- Other services	27,612	10,375
Donations & public relations	104,104	-
Interest on bank loans, overdraft and leases	2,053,261	1,698,013

MAPAI TRANSPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

5. Income tax expense

The prima facie tax charge on the operating profit for the year is reconciled to the tax expense as follows: -

	2011	2010
	<u>K</u>	<u>K</u>
Operating profit before tax	7,370,281	3,456,035
Tax on the profit for the year at 30%	2,211,084	1,036,811
Taxation effect of permanent differences:	-	-
Tax benefits not recognised	-	-
Under provision in prior year	388,016	-
	<u>2,599,100</u>	<u>1,036,811</u>
Income Tax expense not brought to account	-	(1,036,811)
	<u>2,599,100</u>	<u>-</u>

6. Provision for Income Tax

	2011	2010
	<u>K</u>	<u>K</u>
Balance brought forward	(11,779)	175,977
Income tax - prior year adjustments	1,032,788	-
15% Interest Withholding Tax ("IWT")	(797,525)	(187,756)
Current year tax	2,375,616	-
	<u>2,599,100</u>	<u>(11,779)</u>

MAPAI TRANSPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

7. Property, Plant & Equipment

	Land & Buildings	Trucks, Plant & Workshop Equipment	Support Vehicles & Other Equipment	Total
	K	K	K	K
2011				
<u>Costs</u>				
At 1 January 2011	4,361,339	44,249,090	3,978,843	52,589,272
Additions	3,636,669	12,798,203	746,874	17,181,746
Disposals & write-off	-	(1,754,775)	(1,404,714)	(3,159,489)
At 31 December 2011	<u>7,998,008</u>	<u>55,292,518</u>	<u>3,321,003</u>	<u>66,611,529</u>
<u>Depreciation/Amortisation</u>				
At 1 January 2011	570,980	23,207,508	2,504,690	26,283,178
Charge for the year	151,540	6,398,428	376,329	6,926,297
Disposals & write-off	-	(1,222,020)	(1,079,063)	(2,301,083)
At 31 December 2011	<u>722,520</u>	<u>28,503,916</u>	<u>1,801,956</u>	<u>30,908,392</u>
<u>Book Value</u>				
At 31 December 2011	<u>7,275,488</u>	<u>26,788,602</u>	<u>1,519,047</u>	<u>35,703,137</u>
2010				
<u>Costs</u>				
At 1 January 2010	4,208,242	33,736,362	3,422,304	41,366,908
Additions	153,097	10,983,828	660,935	11,797,860
Adjustment to opening balances	-	204,000	(100,896)	103,104
Disposals & write-off	-	(675,100)	(3,500)	(678,600)
At 31 December 2010	<u>4,361,339</u>	<u>44,249,090</u>	<u>3,978,843</u>	<u>52,589,272</u>
<u>Depreciation/Amortisation</u>				
At 1 January 2010	421,161	18,227,795	2,013,742	20,662,698
Charge for the year	149,819	5,503,999	517,342	6,171,160
Disposals & write-off	-	(650,284)	(1,023)	(651,307)
Prior year adjustments	-	125,998	(25,371)	100,627
At 31 December 2010	<u>570,980</u>	<u>23,207,508</u>	<u>2,504,690</u>	<u>26,283,178</u>
<u>Book Value</u>				
At 31 December 2010	<u>3,790,359</u>	<u>21,041,582</u>	<u>1,474,153</u>	<u>26,306,094</u>

MAPAI TRANSPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

8. Inventory

	2011	2010
	<u>K</u>	<u>K</u>
Fuel	90,830	111,861
Oil & Grease	318,848	103,220
Tyres	54,634	35,051
	<u>464,312</u>	<u>250,132</u>

Spare part inventories are expensed as received.

9. Trade and other DebtorsTrade debtors

Trade debtors	13,958,224	8,993,123
Provision for doubtful debts	(493,064)	(510,676)
	<u>13,465,160</u>	<u>8,482,447</u>

Other debtors

GST Refundable	-	150,467
Rental bond	165,387	160,850
Staff advances	50,130	40,910
Withholding taxes	797,525	11,779
Other debtors & prepayments	434,532	277,985
Insurance recovery	160,000	-
Additional claim - Contract revenue	586,570	-
	<u>2,194,144</u>	<u>641,991</u>
	<u>15,659,304</u>	<u>9,124,438</u>

10. Trade and other Creditors

Trade creditors	<u>4,147,346</u>	<u>3,306,687</u>
	4,147,346	3,306,687
<u>Other creditors & accruals</u>		
Nasfund payable	140,255	80,452
Bus. Withholding Tax Payable	67,380	56,912
Group tax payable	477,972	1,265,279
Other creditors & accruals	764,139	879,828
GST Payable	410,387	-
Training levy payable	350	28,972
	<u>1,860,483</u>	<u>2,311,443</u>
	<u>6,007,829</u>	<u>5,618,130</u>

MAPAI TRANSPORT LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

11. Issued capital

	2011 <u>K</u>	2010 <u>K</u>
603,388 ordinary shares at K1.00 per share	<u>603,388</u>	<u>603,388</u>

12. Reserves and retained earnings

Retained profit/(loss) brought forward	13,081,062	9,625,027
Dividends paid	(60,339)	-
Current year net profit/(loss) profit after tax	<u>4,771,172</u>	<u>3,456,035</u>
	17,791,895	13,081,062
Asset revaluation reserve (Workshop & Buildings)	<u>1,700,000</u>	<u>1,700,000</u>
	<u>19,491,895</u>	<u>14,781,062</u>

13. Lease and loan payables

Secured borrowings:

ANZ Banking Group (PNG) Ltd - Lease	18,054,240	16,090,039
First Investment Finance Ltd - Loan	2,720,374	-
ANZ Banking Group (PNG) Ltd - Loan	<u>1,011,621</u>	<u>1,318,841</u>
	<u>21,786,235</u>	<u>17,408,880</u>

Analysed as

Current*Payable within 12 months*

First investment Finance Ltd	960,132	-
ANZ Banking Group (PNG) Ltd	<u>5,250,956</u>	<u>4,667,148</u>
	<u>6,211,088</u>	<u>4,667,148</u>

Non current*Payable after 12 months*

First investment Finance Ltd	1,760,242	-
ANZ Banking Group (PNG) Ltd	<u>13,814,906</u>	<u>12,741,732</u>
	<u>15,575,148</u>	<u>12,741,732</u>
	<u>21,786,236</u>	<u>17,408,880</u>

MAPAI TRANSPORT LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

13. Lease and loan payables (continued)

	2011	2010
	K	K
Lease commitments in respect of capitalised leases are as follows:		
Not later than one year	7,454,172	6,090,306
Later than one year, but not later than two years	14,908,344	6,090,306
Later than two years, but not later than five years	1,106,688	7,443,055
Minimum lease payments	23,469,204	19,623,667
Deduct: future finance charges	(5,414,964)	(3,533,629)
Present value of minimum lease payments	18,054,240	16,090,038
Made up as follows:		
Current	5,250,960	4,186,500
Non current	12,803,280	11,903,539
	18,054,240	16,090,039

The advances from the bank are secured by registered mortgages over specific company assets together with a registered equitable mortgage over the company assets undertakings and uncalled capital.

14. Employee Benefits

Post-employment benefits

The company contributes to the National Superannuation Fund (NASFUND) for employees.

The plan for general employees is a defined contribution type, whereby the company matches contributions to the fund made by employees up to 8.4% of the employee's base salary. Employee contributions are based on various percentages of their gross salaries. During 2011 the company made K 71,139 in contributions payable (2010: K 82,996).

The average number of employees employed during the year was 230 (2010: 210), which included mostly casuals employed on as required basis and are not permanent employees.

MAPAI TRANSPORT LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

15. **Provision for Employee Benefits**

	2011 <u>K</u>	2010 <u>K</u>
<i>Current</i>		
Annual leave	<u>146,915</u>	<u>108,660</u>
<i>Non Current</i>		
Long service leave	<u>556,753</u>	<u>92,697</u>

16. **Related Party Transaction**

At 31 December 2011, the only related company was Mapai Customs & Forwarding Agency Limited, registered in late 2007. This company is 100% owned by Mr. Jacob Luke, who is the majority owner and a director of Mapai Transport Limited.

The nature of the related party transactions during 2011 included general operating expenses paid for by the related company. The intercompany loan is non interest bearing and has no fixed terms of repayment.

All transactions are commercial transactions made on an arm's length basis.

	2011 <u>K</u>	2010 <u>K</u>
(a) Amount due to related companies		
<i>Current</i>		
Mapai Customs & Forwarding Agency Ltd	<u>523,456</u>	<u>347,730</u>

MAPAI TRASPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

17. Shareholders' Loan

	2011	2010
	<u>K</u>	<u>K</u>
<i>Current</i>		
Shareholders' loans	5,596	190,122
	<u>5,596</u>	<u>190,122</u>

18. Notes to the Statement of Cash Flows

For the purpose of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows

	2011	2010
	<u>K</u>	<u>K</u>
Cash at bank & on hand		
Cash at BSP operating accounts	14,983	76,252
Cash at ANZ operating account	-	655,215
Cash on hand - Lae Depot	13,142	3,066
Cash on hand - Goroka Depot	28	-
Cash on hand - Hagen Depot	1,163	223
Cash on Deposit	<u>1,406,279</u>	<u>2,355,004</u>
	1,435,595	3,089,760
Bank overdraft	<u>(1,552,367)</u>	-
Net cash holding	<u>(116,772)</u>	<u>3,089,760</u>

MAPAI TRASPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

19. Financial Instruments
(a) Activities and Management Policies

The company's financial instruments comprise cash and cash equivalents, receivables and payables.

The company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The company's overall risk management programme seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by management.

(i) Currency risk

The company undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currencies arise, primarily with respect to the Australian dollar. Transactions and balances are largely in the nature of foreign currency denominated purchase from suppliers. Though there are no specific hedging activities to mitigate any currency risk, this exposure is monitored by management on an ongoing basis.

The company purchases parts from various suppliers at prices expressed in Australian dollars. At 31 December 2011, there was no exposure for unpaid parts shipments. There were no other foreign currency exposures at balance date.

(ii) Credit risk

In the normal course of its business the group incurs credit risk from trade debtors and financial institutions. The company performs credit evaluations of its customers and there are no significant concentrations of credit risk. The company maintains its cash and bank balances with two financial institutions, which have a high credit standing.

Trade debtors	2011	2010
	<u>K</u>	<u>K</u>
Fully performing	4,155,579	3,212,227
Past due but not impaired	9,309,581	5,270,220
Impaired	<u>493,064</u>	<u>510,676</u>
	<u>13,958,224</u>	<u>8,993,123</u>

At balance date the company had K4,155,579 (2010: K3,221,227) of receivables that were fully performing. Trade debtors that are less than three months past due are not considered impaired.

MAPAI TRANSPORT LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

20. Financial Instruments (continued)

At balance date the past due but not impaired debtors, related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade debtors is as follows:

Trade debtors over 30 days	2011	2010
	<u>K</u>	<u>K</u>
31 - 60 days	3,197,787	2,804,023
61 - 90 days	2,519,203	809,396
Over 91 days	3,592,591	1,656,800
	<u>9,309,581</u>	<u>5,270,220</u>

As of 31 December 2011 trade debtors of K493,064 (2010: K510,676) were impaired against which a provision of K493,064 (2010: K510,676) was held.

(iii) Interest rate risk

The company's interest rate risk arises from long term borrowings. Borrowings are issued at variable rates and expose the company to fair value interest rate risk. Interest rate risk is considered low.

As at 31 December 2011, if interest rates on borrowings at that date had been 1% higher/lower with all other variables held constant, profit for the year would have been K217,862 (2010: K147,542) mainly as a result of the high/lower interest expense on variable rate borrowings.

(b) Fair Values

The estimated fair values of the company's monetary assets and liabilities are equivalent to their carrying values at balance date.

(c) Price Risk

The company is not exposed to any significant investment price risk.

(d) Liquidity Risk

The company aims to prudently manage liquidity risks by maintaining sufficient cash and other liquid assets and the availability of funding through uncommitted credit facilities.

21. Contingencies

There were no contingent liabilities outstanding against the company at 31 December 2011 (2010: K nil)

22. Capital Commitments

The capital commitments at 31 December 2011 were K6million (2010: Knil)

MAPAI TRASPORT LIMITED
 TRADING STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	<u>K</u>	<u>K</u>
SALES		
Trucking	45,764,545	40,421,729
Other Income		
Workshop & other operating income	10,992,654	3,704,756
Interest income	60,501	55,753
Management fees	156,000	208,492
Miscellaneous others	-	39,429
	<u>11,209,154</u>	<u>4,008,430</u>
	<u>56,973,699</u>	<u>44,430,159</u>
COST OF SALES		
Depot Operations		
Lae & Mt Hagen	18,015,365	12,726,583
Fleet Operations		
Fuel	7,961,227	7,781,089
Grease & oils	-	125,984
Parts & service	4,584,192	3,891,200
Tyres	1,172,781	950,815
Insurance & licenses	393,771	405,512
Wages - drivers & crews	1,970,230	1,879,572
Breakdown & security	370,754	135,416
Miscellaneous	360,174	38,721
Hire Charges	-	1,949,167
	<u>34,828,492</u>	<u>29,884,059</u>
Gross Profit/(loss) for the year	<u>22,145,207</u>	<u>14,546,100</u>
Less: Administration Scheduled costs	(12,721,673)	(9,392,052)
Less: Interest	<u>(2,053,261)</u>	<u>(1,698,013)</u>
Operating Profit for the year	<u><u>7,370,272</u></u>	<u><u>3,456,035</u></u>

This statement does not form part of the audited financial statements

MAPAI TRANSPORT LIMITED
 SCHEDULE OF ADMINISTRATION EXPENSES
 FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	<u>K</u>	<u>K</u>
Accountancy	80,612	32,375
Advertising & promotions	90,150	142,987
Assets Disposal	665,132	24,816
Bad & doubtful debts	83,536	132,761
Bank Charges	118,241	101,292
Bank Interest - Overdraft	-	48,668
Cleaning	-	5,197
Computer	32,922	59,392
Debt Collection	45,096	-
Depreciation	6,926,297	6,171,159
Directors	86,548	14,368
Dues & Subscriptions	39,391	29,156
Electricity & utilities	8,159	14,792
Freight Charges	58,257	30,185
General	46,904	36,124
Income Tax/ Training Levy	-	(27,370)
Insurance	208,962	-
Land Development Cost	-	27,226
Leave entitlements	390,902	-
Legal	39,507	136,199
Motor vehicle expense	89,232	-
Office Supplies	19,645	34,634
Other Employee Expenses	17,684	6,133
Post, printing & stationery	92,883	34,954
Public relations & donations	104,104	-
Repair & Maintenance	18,964	103,768
Rental - accommodation	402,802	195,755
Salaries & wages	2,654,929	1,669,937
School Fees	92,509	26,251
Security	4,183	12,745
Superannuation	71,139	82,996
Telecommunications	153,255	151,173
Traveling & accommodation	79,728	89,351
Workers Compensation	-	5,027
Total Administration Expenses	<u>12,721,673</u>	<u>9,392,051</u>

This statement does not form part of the audited financial statements